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Anglicare Australia submission to:

**the Senate Community Affairs Legislation
Committee inquiry into Social Services
Legislation Amendment (Family Payments
Structural Reform and Participation
Measures) Bill (No. 2) 2015**

12 February 2015

www.anglicare.asn.au

Anglicare Australia

Anglicare Australia is a network of over 40 independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered to one in 40 Australians, in partnership with them, the communities in which they live, and other like-minded organisations in those areas. In all, over 12,000 staff and almost 7,800 volunteers work with over 930,000 vulnerable Australians every year delivering diverse services, in every region of Australia.

Anglicare Australia has as its Mission “to engage with all Australians to create communities of resilience, hope and justice”. Our first strategic goal charges us with reaching this by “influencing social and economic policy across Australia...informed by research and the practical experience of the Anglicare Australia network”.

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Introduction

Anglicare Australia welcomes the opportunity to respond to the Social Services Legislation Amendment Bill No. 2 with regard to restructuring family payments and participation measures.

This current Bill is built on the previous welfare legislation the federal government introduced into Parliament in the 2014 Budget. This prior attempt was blocked in the Senate, following concerns it would hit hard on low to middle income earners, particularly with the measure that would see families with children as young as six losing out on Family Tax Benefit part A (FTB A).

Anglicare Australia is encouraged by some of the revisions of the Bill which reflect the calls for FTB A, Youth Allowance and Disability Support Pension payments to be increased. However, we reject the assertion that these measures need to be balanced by reducing benefits for some families and the phasing out of supplementary payments.

We are particularly concerned about the detrimental impact of the cut of Family Tax Benefit part B (FTB B) on single low-income families with children over 13. Lowering payment rates (or removing them altogether) will penalise those with the least means available to make up the difference themselves, and this disturbing trend is found across many of the government's remaining Budget measures. These families are already experiencing significant financial stress and they are being further excluded from sharing in the common wealth of the nation, with the living standards for people living on low incomes predicted to continue to fall in the next 10 years.¹

Anglicare Australia believes the reduction and removal of payments and supplements has a disproportionately negative impact on low income families. Therefore, Anglicare Australia calls on the government to remove the proposed cut in family tax benefit payments and supplements that affect disadvantaged families.

Increasing FTB A, Youth Allowance & aligning payment rates

The proposed amendment under Schedule 1 entails increasing the rate of Family Tax Benefit Part A (FTB A), as well as aligning the revised FTB A with Youth Allowance (YA) and Disability Support Pension (DSP), so that by July 2018 the three payments will be of the same level. The stated goal of this proposal is to "avoid confusion for families and to make sure there is no financial incentive for an FTB child to leave full-time secondary study to claim youth allowance".

Anglicare Australia welcomes the increase in fortnightly payments in FTB A and YA, which would provide extra financial assistance for low income families with children. We also see the benefit of aligning the FTB A and YA in encouraging children to remain in school while families are in receipt of support payments. We welcome the goal of simplifying the support payment structures; however, we are not yet convinced the proposed system will be easy for families to navigate. Furthermore, where the goal of reducing bureaucratic processes and red tape is achieved, we would expect to see an associated investment in improving services and communication with families.

¹ NATSEM (2015), [Living Standard Trends in Australia: Report for Anglicare Australia](#), National Centre for Social and Economic Modelling, University of Canberra, Canberra.

On the whole, Anglicare Australia welcomes these proposed changes under Schedule 1 of the Bill.

Removing Family Tax Benefit supplements

The proposed amendment under Schedule 3 would see FTB A supplements and FTB B supplements gradually phased out across three years. By July 2018, these supplements will cease to exist.

FTB supplements are relatively small compared to the tax benefit overall, but for many low income families they play an important part in meeting children's schooling and other expenses.

When seeking to correct the Budget deficit, Anglicare Australia strongly asserts that the government should prioritise measures that do not leave the most disadvantaged further behind.

Revising Family Tax Benefit Part B

The proposed amendment under Schedule 2 will introduce a new rate structure for Family Tax Benefit Part B, which in effect will see, from July 2016:

- an increase of \$1000 per year for families with a youngest child aged under one
- a reduction of the payment rate from \$2738 to \$1000 for single-parent (under 60) families with a youngest child aged 13 to 16, as well as couple grandparents caring for a youngest child in this age range
- the removal of FTB B for couple families with a youngest child aged 13 or above.

(Policy analysis by Peter Whiteford – School of Public Policy at ANU²)

Consistent with the Jobs for Families Child Care Package currently under consideration, one of the identified goals of this schedule is to encourage greater workforce participation by parents.³ By offering less financial support to these parents as their children turn 13 and enter secondary schooling, the measure is said to encourage them back into the job market in order to increase their family income, and so boost workforce participation levels and the national economy.

Anglicare Australia understands this intention, but contends the reduction of payments from families with teenagers, together with the higher costs associated with raising older children, is likely make low income families even more financially vulnerable rather than less.

When this 'encouragement' to find extra work fails, affected families will find it harder to fund important opportunities for their children's education and development, with flow on impacts on their life choices, and the risk of further perpetuating the cycle of poverty and disadvantage.

² Whiteford, Peter (2015), [Family tax benefit savings trimmed, but families with teenagers hit hardest](#), The Conversation, accessed on 28th January 2016.

³ [Social Services Legislation Amendment \(Family Payments Structural Reform and Participation Measures\) Bill \(No. 2\) 2015 Second Reading speech](#). Accessed on 28th January.

Low income families

Anglicare Australia is uneasy about widening inequality in Australia. A NATSEM study commissioned by Anglicare to track and predict the rise and fall of living standards across Australia has shown that lower income households will be left behind in terms of their quality of life over the next decade⁴. The research examines and compares the relative increases in living standards for different household types across Australia over the past 10 years, and provides projections for the next 10 under current government policy, taking into account income quintiles, family types, tenure, age and income source.

The study shows that since 2004, households with the top 20% income enjoyed almost double the growth in living standards compared to the bottom 20%. People comprising the bottom fifth of the income distribution include single parents, people living alone, home owners and private renters. And while the NATSEM figures could not drill down through to the individual experiences, evidence from the Anglicare Australia network is that those living with the lowest incomes are overrepresented by families living with disability or mental illness, care leavers, Aboriginal and Torres Strait Islander communities, and those on bridging visas living in our communities. The living standards of this quintile are projected to fall 4.5% in the next 10 years. This is in comparison to a 5.9% *growth* for the top group.

The NATSEM projections indicates that Australia is on track to leave those people who are doing it toughest further behind in the next decade.

Of particular concern to Anglicare Australia is the impact of reducing the rate of FTB B for single low income families with a teenager (and abolishing the benefit altogether for couple family with a 13 year old). This measure is likely to generate extra financial stress for families who are already doing it tough. Raising children is expensive, and the older they get, the more they cost.⁵ Even once family payments are factored in, low income families are facing higher proportionate costs relative to their income⁶ compared to higher income groups.

School excursions and recreational activities such as playing sports and learning music are increasingly becoming inaccessible for low income families. This can negatively impact young people's mental and physical wellbeing, and limit their chances of building friendships and discovering strengths and potentials. All of these are important building blocks that help young people explore their aspirations and employment pathways, and transition into adulthood.

The proposed changes to FTB B should also be considered in the context of multiple proposed policies that risk compounding disadvantage rather than alleviating it. For young people, the dual experiences of poverty and the lack of quality education significantly increase the likelihood of entrenched disadvantage, which has significant individual and community level impacts. While the vital importance of a needs-based approach to school funding is now acknowledged by all sectors

⁴ NATSEM (2015), [Living Standard Trends in Australia: Report for Anglicare Australia](#), National Centre for Social and Economic Modelling, University of Canberra, Canberra.

⁵ AMP & NATSEM (2013), [Cost of kids: the cost of raising children in Australia](#), AMP.NATSEM 33rd Income and Wealth report, Canberra.

⁶ Ibid.

(and is seen as an approach that allows schools to respond to disadvantage faced by students), government funding plans do not direct resources accordingly.

Students experiencing poverty and disadvantage are at greatest risk of missing out on a quality educational experience, as research clearly shows that students' school performance has little to do with the school they go to, but is highly correlated with their socio-economic status.⁷ Denying school communities' needs-based funding limits their access to the resources and opportunities necessary for educational equity in Australia.

While education funding models are outside the scope of this inquiry, it is important to acknowledge the proposed reduction in FTB B benefits and supplements does not occur in isolation. When the full context is considered, it is clear that Schedule 2 and 3 of this Bill risks further widening the inequality gap.

Anglicare Australia is strongly of the view that government resources should be targeted to where they are most needed and effective in order to address poverty and ensure economic, social and cultural participation. Reducing and withdrawing FTB B support to low income families does not create an environment where individuals, families and communities are supported to address the factors behind poverty and disadvantage.

Who else is affected?

Anglicare Australia invests significant energy in advocating for Australians living on the lowest incomes. This group is often hardest hit by policies that reduce or remove financial support. However, it is vital that we also consider the impact that proposed policies have on those in the second quintile (those who are between the 10% and 20% mark of income distribution).

For people in the second quintile, their income level is not high enough to free them from some form of financial stress, especially as their children become teenagers or when unexpected expenses arise. Members of this group are often struggling to keep their heads above water, and are at intermittent financial risk as their support payments are often considered next on the chopping board.

And even though they are more likely than those in the bottom 10% to improve their financial situations and hence living standards, they are often 'invisible' in social policy reforms because they seem to be managing. Removing or reducing FTB B from these families' budgets may be the unfortunate measure that pushes these families into poverty and increase their chances of being trapped in the social safety net for the long term.

⁷ The Age (2014), [Fourth study this year confirms private school no better than public](#), accessed on 28 Jan 2016. See also, Mahuteau, S. and Mavromaras, K. (2013), [An Analysis of the Impact of Socioeconomic Disadvantage and School Quality on the Probability of School Dropout](#), National Institute of Labour Studies, Flinders University, Australia and IZA, Bonn, Germany.

Conclusion

Anglicare Australia welcomes the measures contained within this Bill which will see an increase in FTB A and Youth Allowance, and an alignment of payment rates between FTB A, Youth Allowance and the Disability Support Pension.

However, we cannot support the measures contained within this Bill that propose to take financial support away from families that are already struggling. Anglicare Australia has worked strenuously with government and in the public domain, to resist mean spirited cuts in expenditure which simply make the day-to-day life of the most vulnerable members of our society more difficult.

In being portrayed as the 'leaners' of Australian society, low income families have become vulnerable to the expectation that they shoulder the burden associated with the government's quest for a balanced Budget. We urge the government to actively consider these groups first when determining the distribution of family payments, and commit to ensuring that attempts to balance the Budget do not come at the expense of the most disadvantaged families in our society.